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## Editorial:

# Well-being in cities and regions: Measurement, analysis and policy practices\*

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**Abstract.** This note introduces the special issue on Well-being in cities and regions: measurement, analysis and policy practices. After highlighting the importance of well-being research, this contribution provides a rationale for focusing on the local level rather than looking at country averages for both analytical and policy purposes. While introducing the papers in this Special Issue, we highlight the need to focus on the regional and local factors that improve people's well-being and the need to understand the link between objective and subjective measures of well-being so that better use is made of them in policy making.

## 1 Introduction: why measure well-being?

The use of Gross Domestic Product (GDP) and, more generally, of conventional economic indicators to orientate policy making and to measure progress in society has been progressively decreasing in recent years. Behind this trend are several factors, which have been extensively discussed in the scientific debate (Brezzi et al. 2016). First, GDP gives only a partial picture of societal progress. While it allows the “quantitative” side of economic growth to be assessed, it does not give much information on its “qualitative” side. Second, GDP does not say much about how societies are evolving in a sustainable way from both an environmental and a social point of view – for instance, about how inequality interacts with aggregate well-being. Moreover, economic growth is increasingly disconnected from life satisfaction, especially in the most developed countries (Di Tella, MacCulloch 2010). This disconnection started with the so-called Easterlin paradox, according to which a positive cross-country relationship between life satisfaction and aggregate income (when measured at one point in time) coexisted with a non-significant relationship between happiness and aggregate income in time-series analysis (Easterlin 1995). Recent evidence shows a hump-shaped relationship between aggregate income and life satisfaction – at both national and regional level – with a positive shape only for the countries or regions with relatively low income levels (Proto, Rustichini 2013).

The scientific and policy importance of measuring well-being has been further highlighted by some major international initiatives, such as the work of the Commission

\*The views expressed herein are those of the authors and do not reflect those of the OECD or its member countries.

on the Measurement of Economic Performance and Social Progress, which resulted in a flagship report published in 2009 (Stiglitz et al. 2009), or, in the same year, the EU Communication on ‘GDP and Beyond’. Two years later, the OECD launched its Better Life Initiative, which provides a concrete framework and data for comparing well-being outcomes across OECD countries (Durand 2015, OECD 2015). These initiatives have been followed by other national ones, which have taken different forms, from public consultations to parliamentary commissions or, in many cases, statistical work undertaken by National Statistical Offices. Overall, these works – primarily those of the so-called Stiglitz-Sen-Fitoussi Commission – have identified some major points for a statistical agenda to improve the measurement of well-being. Among these points are the need to focus on people (i.e. individuals and households), rather than on the wide economic system; to acknowledge the multidimensional nature of well-being, which requires coverage of many aspects that are important for people’s lives; to account for the distribution of well-being outcomes across all social groups, rather than focusing on simple averages; and to reconcile the objective measures of well-being with those based on individual perceptions, which reflect how people actually experience and assess their life circumstances.

## 2 Why measure well-being at the scale of cities and regions?

The importance of well-being measures is ultimately explained by their use in the policy-making process. In this regard, one crucial aspect of any well-being indicator is the geographic scale to which that indicator refers. The territorial element underlying well-being measures has a crucial role to play in moving public policy from a simple measurement perspective to an action-oriented one. More specifically, there are several reasons why it is important to measure well-being at the local level.

First of all, it should be considered that people’s well-being is shaped by a combination of individual traits and place-based characteristics (OECD 2014). Some of the dimensions of well-being are strongly dependent on the context in which the individual lives, such as environmental quality, safety conditions, the dynamism of the labour market, and the cohesion and civic engagement of the community. This perspective becomes crucial when considering that well-being outcomes are not evenly distributed across space in most countries. In the OECD, differences in well-being outcomes among the regions of the same country are often remarkable, being similar to or even larger than those found across countries. This is the case, for example, of the unemployment rate in Italian regions or of the years of life expectancy across the different states in the US (OECD 2016). These differences can be very important in regard to the living conditions experienced by individuals in their everyday lives.

The literature highlights that specific spatial factors can have a role in individual’s well-being. Ballas (2013) argues that certain contextual factors, such as income level and its distribution within the city, or social justice, are increasingly important for subjective well-being. Rodríguez-Pose, Maslauskaitė (2011) find that, besides individual and macro-economic factors, institutional characteristics are crucial for people’s life satisfaction. Such characteristics refer to issues that are often very place-specific, such as trust in the institutions, the quality of local government, or the extent to which public expenditure or taxation is decentralised to subnational levels of government. Other scholars have highlighted the importance of the spatial organisation of cities for well-being. Brown et al. (2015) found that overall residential density and land-use fragmentation are negatively correlated with life satisfaction. Moreover, urban size has been found to be detrimental to life satisfaction (Okulicz-Kozaryn 2015). These results open the way for further research on the place-based dimension of well-being.

Second, and following the previous points made, regional and local governments have often the discretionary authority for policies that directly affect people’s lives. They play an important role in providing services that enhance economic dynamism, safety, health, and so on, and they represent the bulk of public investment. In the OECD, subnational government expenditure accounted for 17% of GDP and 40% of total public expenditure in 2014 (OECD 2016). Local levels of government therefore often have an immediate impact on the well-being of citizens and communities. This relates to people’s trust in

public institutions and institutional quality, which can play an important role in how the most pressing challenges are tackled and reflected in spatial disparities within countries (Ezcurra, Rodríguez-Pose 2014).

Spatial features can also be important for understanding how different policy domains interact in a single city or region. When different well-being dimensions – such as income, jobs and health – are considered together, advantages and disadvantages tend to amplify the spatial concentration of prosperity or exclusion (Veneri, Murtin 2016). Moreover, most policy interactions are spatially specific: policies on land use, transport and housing, for example, are closely connected to the well-being of individuals and communities. These different strands of policy could achieve better results if they were designed in a way that maximises their complementarities and that manages possible trade-offs better. This can happen only when these aspects are tackled in the specific places where they occur.

### 3 The papers in this Special Issue and the directions for future research

This Special Issue was primarily inspired by the debates and discussions which took place during the 55th Congress of the European Regional Science Association in Lisbon, on August 2015. In that context, three special sessions were organised to discuss the topic of “Well-being in cities and regions: measurement, analysis and policy practices”. The congress also hosted a semi-plenary session on how the measurement of well-being at local level can improve the design of policies. After the event, four papers were selected to be included in this special issue. They cover important aspects of the measurement and analysis of well-being at regional and urban level.

The first paper, by Arthur Grimes, Judd Ormsby, Anna Robinson and Siu Yuat Wong (Grimes et al. 2016), addresses one of the main research issues in the place-based well-being literature: that of understanding the role of institutional conditions as drivers of well-being. The paper provides an analysis on the link between the characteristics of the fiscal policy and subjective well-being in 35 countries. The authors find that while distortionary taxes, such as income taxes, are generally detrimental for economic growth with respect to non-distortionary taxes, distortionary taxes are associated with higher levels of subjective well-being compared with their non-distortionary counterparts. The authors also find that the government expenditures which are considered as “unproductive” – those which do not enter the production side of the economy, but only the utility function of individuals – are associated with higher well-being for the middle class relative to others. In regard to fiscal decentralisation, the authors find that devolving expenditure power to subnational levels of government is associated with higher levels of subjective well-being, while decentralising tax collection shows a negative association. On the other hand, the authors find no mediating effect of the size of settlement on the link between fiscal policy and subjective well-being.

The second paper, by Camilla Lenzi and Giovanni Perucca (Lenzi, Perucca 2016), analyses how differences in subjective well-being between urban and rural areas change over time. More specifically, the authors focus on Romania, a country which in the past 15 years has experienced strong divergences in the economic growth rates of different types of territories. The results of the analysis show that the temporal dimension plays an important role in the link between economic growth and subjective well-being. The Easterlin intuition of a trade-off between economic growth and life satisfaction is found to apply only in some circumstances and not in all places. In the largest cities, economic growth during Romania’s period of transition was faster, but subjective well-being showed a relatively lower performance with respect to that of other places. However, this trade-off was not observed in the medium-sized cities, where economic growth was combined with higher life satisfaction. The paper finally suggests that the trade-off between economic growth and well-being is not spatially neutral, and that in some circumstances it is possible to combine the two objectives.

The third paper, by Philip Morrison (Morrison 2016), analyses the spatial dimension of urban pride in New Zealand. Urban pride is an emotion that, unlike life satisfaction, involves stake holding. For this reason, urban pride is a powerful concept with greater relevance to local policy making. When an individual is proud about the city in which

s/he lives, this implies that the same individual is making a “place-based” investment in emotional, financial or cultural terms. In other words, proud residents are residents who care about their place, with possible implications for the identification of policy priorities, for the quality of institutions and, ultimately, the effectiveness of policy in enhancing the well-being of each community. The author finds that the degree of urban pride in New Zealand varies primarily according to individual characteristics, although variation across cities is also observed. By using a multilevel model approach, the author finds that city characteristics, although less important than individual traits, affect the way in which different types of stake holding temper urban pride. This is the case, for example, of the aggregate support for city councils, which conditions the effect of residence duration on urban pride. City leaders can be particularly interested in fostering “soft returns” such as urban pride, which remains a very promising and still largely unexplored research issue.

The fourth paper, by Alessandra Michelangeli and Eugenio Peluso ([Michelangeli, Peluso 2016](#)), provides a method with which to measure well-being inequality across cities by accounting for the spatial distribution of key urban features, such as public infrastructures, local services, as well as economic and environmental conditions. The authors apply their analysis to the case of Italian cities. Their method is based on the hypothesis that, in a country where amenities are evenly distributed across cities rather than concentrated in a few ones, the average level of well-being is higher. This hypothesis – which is justified by the argument that not all individuals in a society are equally exposed to the same quantities and qualities of amenities due to the spatial concentration of the latter – allows the authors to apply an Atkinson inequality measure approach. The authors use a hedonic approach to derive a monetary evaluation of amenities. The multidimensional index proposed has the advantage that it makes it possible to differentiate the effects of the amenities on the overall degree of inequality, and on the other hand, to consider the joint effect of all amenities on the overall inequality.

We hope that the contributions in this special issue, together with the concepts provided in this note, will stimulate and feed further research on the measurement of well-being at local level, and on how these measures can be of importance for policy making in order to improve people’s lives in all places. While the papers presented in this special issue provide some new insights on important issues connected with regional and urban well-being, there are several aspects where research is much needed. Two issues are important. The first is clarification of the concept of well-being. Although it seems that there is a broad consensus in the scientific community on definitions, the four papers show again a wide variety in concepts, definitions and measurement. The second issue is the need to gain better understanding of the link between objective and subjective measures of well-being. Should policy makers pursue the former or the latter? Understanding this link would make it possible to combine the individual and subjective points of view with assessment of the conditions of a community. Because citizens are part of a society, the conditions of the society as a whole, whether in a city or in another local environment, should not be left aside.

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